

REPORT ON TWENTY GRANT-GIVING ORGANIZATIONS IN HUNGARY, 2002

| | |
|--|----|
| Executive summary | 2 |
| Background..... | 6 |
| Organizations' operational data | 9 |
| Founders | 9 |
| Categories of grant-makers..... | 9 |
| Duration of operation | 10 |
| Boards | 10 |
| Focus..... | 11 |
| Mission..... | 11 |
| Field of operation | 11 |
| Target groups | 11 |
| Geographic sphere of operation..... | 12 |
| Grant-making strategy..... | 12 |
| Grant-making methodology | 13 |
| Requests for proposals | 13 |
| Core support and re-granting policy | 14 |
| Grant-making decision mechanism..... | 15 |
| Where is the grant decision made? | 15 |
| Financial control of grantees | 15 |
| Needs and impact | 16 |
| Resources..... | 17 |
| Sources of revenue..... | 17 |
| Financial sustainability..... | 17 |
| Resource mobilization..... | 18 |
| Human resources | 20 |
| Financial capacity..... | 20 |
| Giving environment..... | 21 |
| Vision | 22 |
| Long term sustainability..... | 22 |
| Obstacles..... | 23 |
| Cooperation, external relations, needs..... | 24 |
| Relationships among grant-giving organizations | 24 |
| External help | 25 |
| Next steps | 26 |

REPORT ON TWENTY GRANT-GIVING ORGANIZATIONS IN HUNGARY, 2002

Executive summary

The purpose of the “Report on twenty grantgiving organizations in Hungary, 2002” is to survey local/indigenous independent grant-making organizations in Hungary and to gather opinions regarding their long term sustainability. This study does not aim to be an exhaustive case study of Hungarian nonprofit organizations; rather, a specific analysis of a selected group of organizations has been carried out.

This study focuses on Hungarian nonprofit organizations that are registered in Hungary, allocate grants to other organizations in Hungary as one of their main tasks, distribute grants openly to a wide community, where the financial backer is not the only decision maker, are independent from state, do not receive support from the C.S. Mott Foundation and are not members of the Hungarian Independent Donors’ Forum. (The last two criteria were developed (respectively) because the commissioner of this work is fully aware of the situation of organizations that it has supported and for this reason did not want them to be part of the study, and also because it is interested in the work of local/indigenous grantmakers are usually ignored or overlooked by international research and development work. The second criterion is related to the Independent Donors’ Forum (IDF). This informal group consists of organizations, which are relatively well established, often funded by international donors, well known and well-researched. This is why neither the donor nor its support organization members were interviewed. Members of the IDF include Autonomía Foundation (donor), Civil Society Development Foundation (support), Democracy Network (donor), Nonprofit Information and Training Centre (support), Partnership Foundation (donor), Soros Foundation (donor), United Way Hungary (donor), Partners Hungary (support).

Obviously, if any of the criteria had been left out or changed, the outcome would have been a different report showing a slightly different picture. For example, had the Soros

Foundation Hungary or Autonomía Foundation been part of the study, the total amount of giving or number of employees would be much higher than it is in the studied group.

The most important conclusion of this work is that, contrary to some expectations, local grantgiving organizations *do* exist. They are valuable entities which have achieved success and which face many difficulties.

After thorough research, 26 organizations were identified that fitted the criteria of the research. Two organizations which fitted the criteria were under registration during the study period. Out of this group, 20 organizations were selected for a personal interview. Two researchers met the operational leaders of these organizations and conducted 1-2 hour long interviews with them in private. The meetings, conducted at the beginning of 2002, were pleasant, honest fruitful discussions. The organizations interviewed were categorized into the following groupings: corporate foundations (3), organizations of an individual (4), local foundations (5), and thematic foundations (10).

The researchers were pleasantly surprised to find that 19 out of the 20 interviewed grant-makers use local sources (multinational companies based in Hungary are considered to be a local source). Most of them use private revenues and, interestingly enough, some individual donors accounted for more donations (in terms of number) than corporate donors. The total amount allocated by the studied group in 2001 was approximately 400,000,000 HUF (1,600,000 USD). Several have security funds that serve as a kind of endowment. Most of them donate funds in the areas of culture and health, some fund education, several support social, environmental, and press related projects. Funds are donated mostly to organizations operating within Hungary, but some organizations also give funding to grantees in neighboring countries as well.

The beneficiaries include not only registered organizations but also other civil, individual or local government initiatives. Almost half of the studied organizations do not announce requests for proposals, responding instead to unsolicited requests. 80% of those interviewed only finance projects, typically funding them for several years. The decision to allocate funds is mostly made by the board of directors, which often plays an important

role in these organizations. Organizations reporting about projects are usually asked to do so in a written narrative form, sometimes with pictures, while 8 foundations also request copies of bills of expenditure.

The interviewers tried to identify whether the grant-makers are trying to influence a real lasting difference through their giving, if they are aiming at long term social change, and if they approach their task with a specific strategy. Approximately one third of the interviewed group, most of them thematic foundations, endeavors to address the root of the problems they see. The rest of the foundations tend to support short term visible projects.

Half of the organizations surveyed have not registered any major change in the amount of their giving during the last three years. However, the total amount of giving has decreased in the surveyed group of organizations. One prevalent reason noted is the declining interest of corporate sponsors. In one case, there has been a large drop in international funding. Reported cases of growth in giving are due to support from a new group of donors.

On top of yearly income earned from interest almost all of the grant-making organizations generate additional resources that are often more than the earned interest itself. A positive finding is that many organizations receive assistance from their board of directors and/or founder(s) in fund-raising, which is rare in Hungary. The methods used to mobilize resources are innovative and varied. In general, grant-making organizations with active boards are composed of people with business and different backgrounds have proved to be the most successful in fund-raising.

Several of those interviewed have some kind of endowment, either a traditional endowment or a security fund which is used as an endowment.

Most of the interviewed organizations believe that their activities are sustainable in the long term. The most frequently noted obstacles to development are the lack of a philanthropic culture, insufficient tax incentives for donors and the passivity of the

media. Several raised the issue of economic and political unpredictability, as well as the public's lack of social responsibility. Two donors said that the questionable quality of the civic programs and the lack of guarantees in this regard present major obstacles to their long term grantgiving activity.

Several organizations noted that they do not feel qualified to manage their foundations professionally, especially in terms of fund-raising, administrative skills, knowledge and managing costs.

During the interviews it became clear that publicity is not really important to these foundation representatives and that they have little knowledge of the existence of other similar organizations. Even if they are aware that others like them exist, they have minimal contact with them.

Those interviewed believe that goodwill inspires giving. Misuse of resources by grantees or donors is not suspected. An important conclusion is that donors give because they want to help. Belief in a cause espoused by an organization is regarded as the primary reason why donors are ready to allocate their own resources or generate external resources for charitable causes.

Background

This study, commissioned by C. S. Mott Foundation in first half year of 2002, aims to survey the situation of smaller, relatively unknown, independent grant-giving foundations in Hungary.

This study seeks to contribute to a process of improving the long term stability of independent locally based donors and increasing the numbers of organizations that envision grant-making as a possible future activity.

Although substantial statistical data is available in Hungary about the revenues of NGOs, little research has been done up until now on the activities of this very small but important group of donors. As a first step in this process it was decided to prepare a report on a number of legally constituted, independent, private Hungarian donor organizations that rely on mostly local financial support. The criteria selected by the research team for targeting organizations in this study deliberately excluded some major donors.

Organizations selected for interview conformed to the following criteria:

- grant-making in Hungary is a significant part of their activity;
- are based in Hungary
- are legal entities
- do not target one or two entities but their support is openly available to a broader group of beneficiaries
- their financial backer is not the only and not a direct decision-maker
- consider distribution of financial aid to be their major mission
- their grants are not distributed exclusively in the area of sports
- do not receive financial support from the C.S. Mott Foundation
- are not a member of the informal Independent Donors' Forum (FTF); (including the Autonomia/ Foundation for Self Reliance, the Civil Society Development

Foundation, DemNet, the Nonprofit Information and Training Centre, the Environmental Partnership Foundation, the Soros Foundation, and United Way Hungary); ¹

The selection of participating organizations was based on information obtained, from press sources NIOK's Nonprofit Database, and by word of mouth. Twenty six organizations were found to fulfil all the research criteria and 20 of these were selected for this report. The working methods used were document analyses, personal interviews, round table discussions and written reports,. the most important being one -to-two hour long personal interviews conducted on site by István Farkas and Marianna Török with each organization's leader. The aim of the personal interviews was to gain an understanding of each donor's independence and progressive thinking, to gather information on the effect of the donor's activities and future potential as well as to learn about their self-development needs. Those who consented to be interviewed were assured that individual names, opinions or addresses would not be published, thus protecting their identity.

¹ The last two criteria were developed (respectively) because the commissioner of this work is fully aware of the situation of organizations it has supported and for this reason did not want them to be part of the study, and also because the target group for this research is the truly local/indigenous donors that are usually ignored or overlooked by international research and development work. The second criterion is related to the Independent Donors' Forum (IDF). This informal group consists of organizations which are relatively well established, often funded by international donors, well known and well-researched. This is why neither the donor nor its support organization members were interviewed. Members of the IDF include (Autonómia Foundation (donor), Civil Society Development Foundation (support), Democracy Network (donor), Nonprofit Information and Training Centre (support), Partnership Foundation (donor), Soros Foundation (donor), United Way Hungary (donor), Partners Hungary (support))

Obviously, if any of the criteria had been left out or changed, the outcome would have been a different report showing a slightly different picture. For example, had the Soros Foundation Hungary or Autonómia Foundation been part of the study, the total amount of giving or number of employees would have appeared much higher than it is in the studied group.

Representatives of the following organizations were interviewed:

Aranyág Mozgássérült és Beteg Gyermekeket Támogató Alapítvány
“A rák ellen, az emberért, a holnapért!” Társadalmi Alapítvány
Budapest Bank Budapestért Alapítvány
Csehországi és Szlovákiai Magyar Kultúráért Alapítvány
Demján Sándor Alapítvány
Eger-Philip Morris Alapítvány
ÉTA Szövetség
Független Ökológiai Központ
Gobolyös József “Soma” Alapítvány
Hungart Egyesüle
Kecskemét Kultúrájáért Alapítvány
Kézenfogva Alapítvány
MAHOLNAP Magyar Jóléti Alapítvány
Mosoly Alapítvány
Országépítő Alapítvány
Rubik Alapítvány
Stúdium Közalapítvány
Szegedért Alapítvány
Tetra Alapítvány
United Way Vértés Vidéke Alapítvány

The authors hope that the findings highlighted in this study can be used by the interviewees, researchers, non-profit organizations and others concerned with this topic. The authors would like to acknowledge the role of Autonómia Foundation, DemNet, the MAHOLNAP Foundation, the NIOK Foundation, the Environmental Partnership, the Soros Foundation, the For Szeged Foundation, United Way Hungary, United Way Tatabánya as well as Éva Kuti and thank them for their assistance. Most of all, the authors would like to express their thanks to the participating organizations for their support, as well as to the C. S. Mott Foundation, which commissioned this study.

Organizations' operational data

In this chapter the basic operational characteristics of the participating organizations is described.

A total of 17 foundations, 2 associations and one public foundation were interviewed. For the purposes of this study, all organizations are called “grant-makers” or “participating organizations.”¹⁴ interviews were conducted in Budapest, and 6 took place elsewhere in Hungary. In 15 cases, the acting operational leaders were interviewed, in 3 cases the chairpersons. In 2 cases these positions were same. (The proportion of men to women was almost the same.)

Founders

10 grant-making organizations were founded by a single entity. (Four of them were founded by a corporation, four by an unaffiliated individual, one by a local government, and one by a non-profit association). The other 10 grant-makers had multiple founders. Four of them were founded by several civil associations, four by several unaffiliated individuals, one by several companies and one jointly by companies and a local government). During the lifetime of these organizations, the number of the founders has sometimes changed, mainly because a number of corporate founders dissolved. (In one case, where all the founders had disaffiliated from the foundation, the founder's rights were taken over by the Court.)

Categories of grant-makers

Participating organizations fitted into four categories based on their founders' legal identity, as well as the organization's basic mission.

Company foundation: In general, this is a foundation that belongs to a single company. It is usually named after the founding company and supports the public benefit goals set by the company. The foundation's activities often promote the company's image. Three organizations fit into this category.

Organisation of an individual: this is an organization founded by a wealthy individual that supports the public benefit goals set by the founder. Sometimes it is named after the founder and solely financed by him or her, but not in all cases. Three organizations fit into this category.

Local Foundation: this is a foundation that works for the development of a city or region and is typically founded by local governments, companies or jointly by local governments and companies.. Five organizations fit into this category.

Thematic Foundation: this type of foundation's purpose is providing social welfare services, solving problems or addressing the problems of the needy. In general it has several founders and is financed from several sources. Eleven organizations fit into this category.

Duration of operation

Eight of the organizations interviewed have been operating more than ten years. Six have been working for 5-10 years, and the remaining organizations for less than five years.

Boards

In nineteen of the surveyed organizations, the composition of the board is essentially static. When there is any rotation of board members it is done at the founder's discretion. In the remaining organization, the board is composed of delegated representatives and as a result there is more rotation.

A significant majority of the organizations surveyed (fourteen) have a heterogeneous board, meaning that members not only include experts from a specific field, but also public, corporate and media representatives, and other individuals as well. Four of the grant-makers have boards consisting only of experts; one foundation has only corporate representatives on its board.

During the interviews it emerged that organizations with homogeneous boards have difficulty attracting financial supporters while those with heterogeneous boards seem to have more fund-raising potential.

Focus

The focus of the participating organisations seems to differ according to their origin. Several corporate foundations mentioned promoting the company's image as a focal point as well as targeting the public benefit. The foundations of individual donors mentioned the civic responsibility and social sensitivity of the wealthy most often. The main focus of the local foundations are the city's interests and image.. The thematic foundations support civil groups furthering current public interest issues.

Mission

A significant majority of the participant organizations defined their mission very clearly. Two private donors defined less specific aims and different emotional factors seem to dominate these foundations' activities. With the exception of the thematic foundations, in most cases the participating organizations' work seems to tackle the symptoms of different issues rather than to address the real causes.

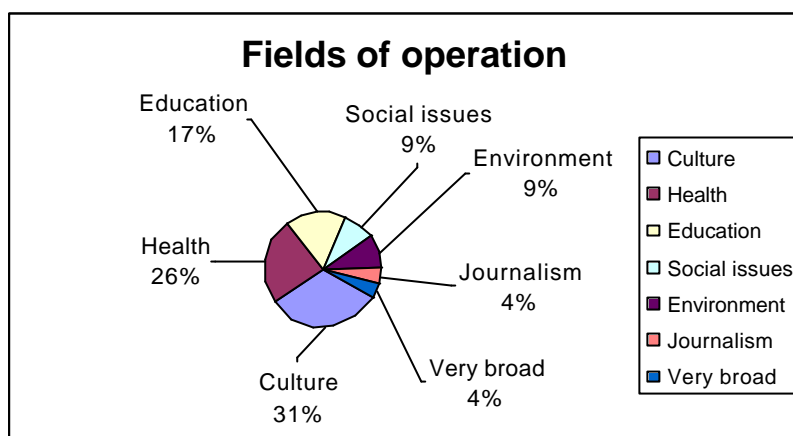
Field of operation

Grant-making organizations focusing on culture and healthcare constituted the largest percentage of the participating group. Others work in the field of education, social issues and the environment. One organization works in the field of journalism, and one supports indefinable broad range of topics. Some participating organizations fall under several categories. Almost all local foundations address some cultural issues. Half of the organizations focusing on health care deal with mentally handicapped people.

Target groups

Three of the profiled organizations only allocate funds to individuals, while three only give grants to registered civil organizations. The remaining 14 grant-makers mainly target civil organizations, but 9 support individuals in addition, and 9 make grants to non-registered citizen groups as well, such as scouts, bands, and clubs. Three grant-makers

support any organization – including public or private institutions – which they deem best able to achieve their objectives.



Geographic sphere of operation

One-fourth of organizations interviewed concentrate on a single city, and one focuses on group of cities. One grant-makers works within a county, one half of interviewees operate all over Hungary, and four make grants to organizations outside of Hungary in the Carpathian Basin.

| <i>City</i> | <i>County</i> | <i>Hungary</i> | <i>Carpathian basin</i> |
|-------------|---------------|----------------|-------------------------|
| 5 | 1 | 10 | 4 |

Grant-making strategy

This chapter focuses on the interviewees' strategy regarding their grant-making activities. It became apparent in this phase of the research that, although all make grants, some of the participating organizations do not identify themselves as grant-making organizations. Despite this finding, the information obtained is included whether or not participating organizations explicitly regard themselves as grant-makers.

Grant-making methodology

The interviews showed that participating organizations employ very different grant-making methods, and strategies. Certain grant-makers employ a well-prepared, well thought-out strategy based on their experiences. This type of grant-making strategy was found mainly among foundations operating for more than 10 years. Such organizations have a tendency to move progressively towards a more sophisticated system after five years of grant-making.

At the same time, some foundations of individual donors have no conscious strategy when choosing grant recipients. In these cases, support is given to those organizations favoured by the founder donor. In several cases, interviews revealed that the grant-making and operational activities within certain foundations are not visibly separated. Certain grant-makers set very concrete, simple goals in order to support a narrowly defined target group. This is typical of the three foundations which grant scholarship prizes and fellowships to individuals. Some private donors often do the project development themselves and are heavily involved in the project implementation itself.

Requests for proposals

Of the organizations surveyed, twelve organisations announce calls for proposals and eight do not. Theoretically, increased levels of competition for projects should increase the quality and effectiveness of grant-making. Additionally, calling for proposals can serve as an advertisement for the foundation that also contributes indirectly to fund-raising activities.

As to why they do not advertise their grant schemes,, most of the organizations answered that they receive enough proposals without making public announcements. Some private donors do not wish to publicize the fact that they make grants. Some organizations only make grants within a closed target group (such as to members of an alliance) or for programs related to a certain institution. In some cases the reason for the lack of open competition is that the grant-makers lack the appropriate procedures, while others do not wish to use their resources for public calls for proposals.

Organizations who do publicize their requests for proposals use a variety of methods. Six that were surveyed place advertisements in the local or national media, two advertise in a

special grant-watch monthly newsletter, “Pályázatfigyelo”, some use events for publicity purposes, and two send out mailings. One organization indicated that while they publish calls for proposals in some cases, they also find other applicants through their own research and discover others “by chance”.

Core support and re-granting policy

Three of the interviewed foundations only support individuals through prizes or fellowships. Four of the remaining 17 regularly provide organizations with core support for operational costs and two provide this kind of support on a case-by-case basis. The majority of grant-makers do not provide this kind of core support; rather, they only allocate funds to support projects and concrete activities. In the view of the authors the reason why the majority of grant-makers only support projects is that they want to achieve visible, concrete results for a relatively small amount of money. In contrast to project support, the results of core support only become visible in the long term and are difficult to measure, making it a greater challenge for organizations to generate enthusiasm among grant-makers for allocating funds for this purpose. Grant-makers typically favour shorter projects that can be re-granted yearly.

Nine of the interviewees favour new applicants, while another nine organizations like to support applicants more than once. (One of the grant-makers processes applications under secret codes and evaluates grant proposals without knowing who the applicant is.)

Participants were asked if factors such as the political orientation, sex, religion or ethnical background of the applicant affected their grant-making decisions. All the foundations answered that these issues did not figure in their decision. Four grant-makers did mention that, if they received two different proposals of comparable merit, they would choose that proposal where the applicant was economically disadvantaged or of Roma origin.

Grant-making decision mechanism

Four of interviewees make regular visits to the applicants before making grants; others make their decision based on written information and local or professional contacts. Four of the boards decide without any preparation or investigation into the grant recipient. In eleven of the grant-making organizations, the staff or expert committees evaluate the proposals before submitting these to the board for review, or in some cases, word-of-mouth information is used.

Where is the grant decision made?

It is normal practice for foundations to give responsibility for allocating funds to their primary governing body: the board of directors. In many cases, however, the real decisions are made at a lower level and the board exercises only a ceremonial role. The purpose of asking this question was to determine where the grant decisions are *really* made in these small grant-making organizations.

The answers provided show that such decisions are generally left up to the boards. In two cases, the founder/donor also acts as the primary decision-maker. Sometimes the staff recommendations assist board decisions. The research findings also show that several organisations do not have clear internal decision-making procedures clarifying the different roles and authority of various bodies.

Financial control of grantees

Most of the grants are agreed in written agreements signed between the parties. Two grant-makers regularly monitor the grantees during and after the implementation of the project financed by the grant money. Four others visit supported events from time to time. The majority of grant-makers request written reports to track progress; some request that photos accompany these reports. Only eight grant-makers requested copies of invoices and other proof of the use of the funding.

A number of interviewees mentioned that the main means of observing and regulating the activities of grantees is local publicity. This method was used mainly by local foundations.

Many interviewees also noted that they try to assist grantees in implementing the projects and they support and help them to evaluate the work as well.

Needs and impact

While seven grant-makers carry out needs assessments on their target group, the majority of grant-makers get information about the situation of the target group through the professional and social contacts of board members, experts and staff.

It seems that the local and thematic foundations are able to keep in constant touch with the target group in the most obvious way: either through direct contact with the local community or with professionals active in the area concerned.

The authors' assessment is that eleven of the organizations interviewed are not employing grant-making as a means to address underlying issues and make significant and lasting change. Instead, they prefer to support concrete projects which yield more immediate, visible results. Six of the participating organizations, mostly thematic foundations, make a conscious effort to bring about a lasting difference to the target group's situation while the others have mixed strategies.

Very diverse answers were given to questions regarding the impact of grant-making activities. Generally, grant-makers who support short-term projects emphasised the output of implemented projects (for example, the number of publications produced or participants involved). Grant-makers who use a longer-term approach have usually been operating for more than five years. One of them has been especially pleased to see a grantee succeed in institutionalising a certain change: a new type of service has received legal recognition that guarantees state support for the new service.

Resources

Most Hungarian NGOs register themselves as either associations or foundations. The legal definition of a Hungarian foundation is not the same as that of an American or British foundation or trust. The most important difference is that almost all Hungarian foundations collect their revenue the same way as associations or other charitable organizations and are usually operating entities, rather than grant-giving organizations. This chapter studies the participating organizations' financial structures.

Sources of revenue

The most interesting question here is whether revenues are drawn primarily from foreign or local sources. Nineteen out of the 20 organizations interviewed attested to using local sources (classifying multinational companies based in Hungary as a local source) which are mostly private. In the studied group the amount generated from corporate sources is higher than from individuals. At the same time more individuals provide finance to the grant-giving entities than companies. It is important to note that some individual grant-makers have actually donated more funding than some companies. (It is worth mentioning that some grant-makers in the studied group also use state or local government sources, but these only represent a small proportion of these organizations' total income.)

Financial sustainability

Most of those interviewed agreed that being financially secure is important. A substantial endowment whose income can provide revenue for distribution is viewed as a solution to an organization's financial sustainability. Receiving money from local/government sources that are guaranteed by a law (e.g. local trade tax) was identified as another way of ensuring financial sustainability. Seven out of the 20 organizations interviewed have some kind of an "endowment," or at least a substantial security reserve, while 9 said that

they raise money yearly. The remaining organizations chose not to answer this question. Methods for accumulating endowment funds varied among organizations. It is very rare for a private donor to establish an endowment whose income can be distributed by a foundation. The general practice is that the amount required by law to start a foundation is provided by the founder in a lump sum, normally amounting to approximately USD 1,000. Any additional funds are relegated to a security fund, the income from which is periodically allocated in the form of grants. By-laws do not normally regulate the use of these funds, or specify whether such funds/generated income can be allocated as grants. Nevertheless, this strategy is generally used as a way to generate additional revenue. According to the data collected, the amount put aside from the original lump sum ranges from 1 million to 180 million HUF, ² (approximately 4,000 to 720,000 USD).

Resource mobilization

In order to carry out their activities, nearly all of the grant-makers interviewed generate supplementary income on an ad-hoc basis in addition to yearly interest accumulated on invested funds. In most of the cases this revenue is higher than the accrued interest itself. The following resource mobilization strategies were mentioned in the interviews:

- money is added to the endowment by the founder(s) and/or the organization each year;
- the founder(s) donates additional funds to the organization each year, specifically to cover operational costs or provide for giving activities;
- organizations raise additional resources on a yearly basis (sources mentioned in the interviews included: local or international foundations, individuals, families, companies, government funds, 1% donations, and a TV marathon);
- organizations contract outside bodies for the provision of long term yearly income (examples given were 4-year contracts with companies, and contracts with local governments for a local trade tax);
- organizations save money on operational expenses, such as running an operation totally cost-free with volunteers working in donated office space;

² In this study a rough average exchange rate of 1 USD:250 HUF was used.

- organizations save money on operational expenses with in-kind donations from the founder or another institution (allocated worker(s) and office space for the foundation's use);
- an “operational arm” of the foundation exists in addition to the “grant-giving arm” for the sole purpose of generating resources and providing support for programming;
- Organizations make profits from business activities which may or may not tie in with their mission (examples of this included publishing services, or running a language school);
- Organizations sometimes support activities with core funds, if this is deemed to be more efficient.

Only three of the interviewed organizations noted that they are not taking any steps to increase their revenues. By way of explanation some organizations said this is on account of the founder's self-centered pride or vanity even in cases when it is evident that the organization's mission cannot be fulfilled with the available resources, especially when the value of the endowment is decreasing with inflation. Another organization reasoned that the foundation's very name presents an obstacle to finding financial supporters. One corporate foundation representative said that the “big boss's request” for donations from other large companies met with resistance because they all tend to have their own initiatives and would rather not “join others”.

It is a positive finding that 8 of the 20 organizations are assisted in fund-raising activities by their board of directors and/or founder(s), a rare occurrence in Hungary. However, the most important conclusion is that, while a majority of those interviewed expressed the importance of generating additional resources, they are worried about their concurrent lack of skills and knowledge to do just this and none of the organizations has a full-time fund-raiser. Despite their good networks, and the visible need for additional support, only a very few active donors convince others to follow their example of charitable giving.

Human resources

Considering how few employees these organizations have, the importance of a founder's or a board member's help is evident. Regarding the number of full-time employees in the interviewed organizations 20 % said they do not have any, 15% have one employee, 40% declared having several and 20% said they do have full-time personnel but that legally they are not employed by the organization (5% did not answer).

Every person who spends all of his/her working time (approximately 8 hours a day) with the given entity is considered a full-time employee for the purposes of this study. This may differ from official registry data, which does not take into account those people who are self-employed and bill the organization monthly for full-time work, people who serve full-time as conscientious objectors for non-profit entities as an alternative to military service, or those who work under other legal forms. These legal formats are cost-saving ways for the employer and are used frequently in Hungary. (For the purposes of this study voluntary work was not taken into account, but it is worth noting that many organizations mentioned the use of volunteers.)

Financial capacity

At the time of the interviews, the organizations final financial reports for 2001 were not available. For this reason, the numbers here are estimates provided by 16 organizations. No figures were available for 4 of the 20 interviewed organizations. The study shows that these 16 distributed approximately 800 grants of around 400,000,000 HUF (approximately 1,600,000 USD) in 2001. On average, organizations donated 225,000 HUF per grant. (900 USD). Three of those interviewed said that they allocated less than three grants in this time period, while the highest number of grants made by one single foundation during 2001 was 200.

Half of the organizations have not registered any major change in the amount of their giving during the last three years. Four have registered growth in their giving while three have registered a drastic decrease (.Three chose not to answer this question).

In total, the amount of giving by the survey group of organizations has decreased. One prevalent reason noted is the declining interest of corporate sponsors. In one case, the reported decrease is due to a large drop in international funding. Support from a new group of individual donors is the reason for the higher levels of giving reported by some organizations.

Giving environment

The giving structure of small and medium size enterprises and their owners is very interesting because these donors rarely differentiate donations from their individual wealth given either through their company or through their foundation. It is also recognized that when a bigger company has a foundation, it tends only to be charitable through its foundation which reduces the company's giving from its other potential giving budget sources (e.g. marketing, PR budgets).

Interviewees also mentioned that the current tax treatment of donations does not provide sufficient incentives for private giving. Still, large companies are the group which is the most knowledgeable about tax-deduction, and also the one that places the highest priority on his opportunity.

Those interviewed felt goodwill inspire and accompany giving; misuse of resources or other wrong-doing is not suspected. The conclusion seems to be that donors give because they want to help. Belief in a cause espoused by an organization is regarded as the primary reason why companies/donors are ready to allocate their own resources or to generate external resources for charitable causes.

Vision

This chapter examines how the participating organizations envisage their future, what they count on, what they want to achieve and what obstacles they face.

Long term sustainability

Based on the answers given, most of the participating organizations believe that their activities are sustainable in the long-term. (35% said that they are sustainable for a very long period of time/forever, 30% for 3-5 years, 10% for 1 year, 25% do not know or did not answer the question).

Twelve of the organizations interviewed regard stabilization and growth as key aims in the coming five years. Four would be satisfied if they maintain their present level of activity. Three plan to give up grant-giving and remain purely operational in the future and the rest did not want or were not able to talk about their future plans.

The very varied visions of how they foresee the most optimistic future for themselves are illustrated by the following quotations:

"To stand on several feet."

"We'll reach out to more people."

"We'll be able to run government programs."

"...doubling of endowment."

"Supporting numerically less but more substantial projects."

"We'll have a computer of our own."

"The political forces will respect our independence."

"We will operate!"

"As we solely use one company's money, we'll depend on it forever."

"We'll see."

"...the most we can do is plan from one year to the next; it's impossible to look 5 years ahead."

"Financial independence for the whole organization...the real value of accrued interest should be sustained. Our grant-giving activities are making a loss at the moment because of high administration costs, but if we could raise the amount of grant-giving then the administration costs would be relatively lower."

"Raising the endowment but for that we must become better known in the city."

"Tax incentives should be better."

"Let us have our own office and we'll see the future right away."

Obstacles

Rather open-ended questions were asked regarding obstacles. Three of the 20 surveyed answered that they do not see any external difficulty regarding the long-term sustainability of their grant-giving activities. The most frequently noted obstacles to development are: the lack of a philanthropic culture, insufficient tax incentives for donors, and the media's passivity. Several mentioned economic and political unpredictability, as well as the public's lack of social responsibility. Two donors said that the questionable quality of civic programs and the lack of guarantees in this regard present major obstacles to their long term grant-giving activity.

Donors were also questioned about their satisfaction with grantees. Almost all of them agreed that ethical problems and fraud among grantees are scarce. This information was significant in that it contradicts the media's tendency to focus on the misuse and mismanagement of NGOs. Several mentioned that in the case of reporting on their grants discipline can sometimes be lax and that grantees have to be reminded of their responsibilities. However, "black listed" grantees that failed completely are rare. Two mentioned that some applicants have difficulty with project proposals and non-profit management. In such cases help with skills development and other assistance is provided by the donor during implementation.

In response to an open-ended question regarding the internal difficulties of grant-makers four of the 20 answered that they do not see any internal difficulty regarding the long-term sustainability and development of their grant-giving. At the same time, several donors mentioned that unmotivated board members, a lack of resources, or the founders' selfish pride present development obstacles. Several corporate foundation representatives noted that the founder's short-sightedness and selfish interests may hinder the organization's future. The most frequently mentioned internal difficulty (noted by seven organizations) was that they do not see themselves as qualified to run their organizations, particularly in the fund-raising arena, both managing the bureaucracy and covering the costs involved. One founder-financier-volunteer said, *"It seemed to be so simple... now that we are trying to do it, we realize that it's not so simple at all."*

Cooperation, external relations, needs

The organizations' networks and relations among grant-giving organizations are examined here, as well as how they view their position and how they communicate with the public.

Relationships among grant-giving organizations

This question had two parts covering both the relationship of the interviewed organizations to potential funding entities and also their partnership with other grant-giving organizations. Those interviewed agreed that personal connections are the most important component of success for a grant-giving organization. Next in line of importance is the relationship with the media, followed by written communication with the public (in the form of mailed letters, direct mail, and reports). It is interesting that it is the operating director of the organization who often takes the lead in such personal communication even in the case of corporate foundations where the director plays a key role in convincing his or her company director about the foundation's importance and the need for financial support.

Three out of the 20 organizations interviewed mentioned that they see their fund-raising activities as ad-hoc. Many of those interviewed noted that while there is a need for more proactive fund-raising on their side, the pervasive lack of financial capacity and know-how prevents them taking the necessary measures. Two foundations expressed their interest in attracting international funds (one is targeting private US sources while the other is seeking EU funds).

Most of those interviewed are not familiar with other grant-giving organizations. Those who do know of similar organizations report having no professional connections with them. The Soros Foundation Hungary was mentioned as a well known grant-giving entity. Several of those interviewed have a high opinion about this organization. Some organizations mentioned that they received informal help from the Soros Foundation regarding administration, legal issues or grant applicants but, because of the difference in

their financial status, they do not believe that any comparison can be made between them. One foundation mentioned having informal relations with the *Ökotárs Alapítvány* (Partnership Foundation), another with the *Illyés Foundation. Autonómia Alapítvány* (Foundation for Self Reliance) was referred to as a positive example of a well-managed grant-giving operation that can serve as a model to others. Surprisingly, no other names were mentioned in terms of cooperation.

Most of those interviewed were not aware of their example of grant-making being used by any organization besides their own, and they have hardly ever used lessons learned by other organizations. Three thematic foundations were familiar with cases where some aspect of their own operation served as a model for other public or private foundations.

Given the above data, why is there so little cooperation and replication of good models when all of those interviewed have valuable, innovative and useful solutions for challenges that they all face. One reason for this could be that these organizations seem to work in isolation, that their work is not widely known or publicized to the community of donors and the general public. Most of them have not heard of any events where interaction between grant givers is possible.

Despite the fact that they have limited time available for networking, almost all noted that they would be interested in participating at such fora.

Those interviewed spend very little time on publicity. One reason for this could be a lack of time, the other was expressed as follows: *"I do give but I do not want to reap laurels. This is why our foundation has minimal publicity."* Several donors also admitted to being afraid of publicity because it can lead to an increased number of grant applications. Those who prioritize publicity tended to use some form of the media, the Internet or an event. Mailing annual reports was also mentioned by a few organizations.

External help

Most of those interviewed in this study would welcome some form of external assistance. Specific areas where assistance is desired, as listed below, were immensely variable.

Goals included:

- *gain independence for the foundation;*

- *development of philanthropic culture, make giving visible;*
- *separate the quasi-NGOs; "governmental NGOs" from civil initiatives*
- *facilitate the distinction of civil organizations from politically involved organizations;*
- *foreign language knowledge;*
- *develop a network among foundations;*
- *learn from others regarding fund-raising;*
- *professional checks to see if grant applicants are trustworthy;*
- *strengthen relations with the media;*
- *provide information and training about international opportunities;*
- *lobby for small grant-giving organizations to receive state support ;*
- *lobby the state and foreign donors for funds and endowments;*
- *provide training to applicants about project planning and management; and*
- *train non-profit managers.*

Next steps

This report was discussed with those interviewed and presented to the C.S. Mott Foundation which agreed to assist with some follow-up meetings related to this study. These meetings are scheduled to take place between September 2002 and February 2003 with the participation of a broader group of grant-makers in Hungary. If the grant-making organizations that take part can articulate common interests, then it may be possible to or formulate or develop some other project. Unfortunately, the content, form or funding base cannot yet be articulated more concretely as such an initiative has no precedent in Hungary.

The present report can be downloaded from www.nonprofit.hu in English and in Hungarian. Comments are welcome.